

Montana Society of CPAs' Testimony in Support of SB 179 Residential Property Tax Credit For Elderly

The residential property tax credit for the elderly was adopted in 1981.

The credit applies to persons 62 years or older who have resided in Montana for at least 9 months, occupied a dwelling as an owner, renter, or lessee for at least 6 months, and has less than \$45,000 per year of gross household income.

Homeowners are eligible for a credit based upon the property tax that they pay. Renters are eligible for a credit based upon 15% of the gross rent that they pay. The credit requires several calculations including an income based property tax limit and a credit phase out.

SB 179 adjusts the elderly property tax credit for inflation. Portions of the credit have not been adjusted since its enactment in 1981 resulting in the credit losing its impact over time. SB 179 applies an inflation adjustment to each dollar figure used to calculate the credit. The various portions of the credit were last adjusted for inflation as follows:

1997 Page 2, line 4
1999 Page 3, line 1
1981 Page 3, lines 22-30
1989 Page 4, line 5
1999 Page 4, lines 10-14
1995 Page 4, line 15

SB 179 also provides for an automatic inflation adjustment moving forward. MSCPA supports the bill as written, but believes it can be approved through amendment.

Many elderly citizens reside in long term care facilities. Elderly residents in these facilities are entitled to a tax credit based upon actual out-of-pocket rent. Unfortunately, there are a number of residential facilities across Montana that refuse to break out the cost of rent versus other amenities. To address this problem, in 1982, the Department of Revenue adopted ARM 42.4.302 which limits rent to \$20 a day if there is not an adequate breakdown of rent and other amenities paid.

This \$20 a day amount has not been adjusted for more than 25 years and is grossly outdated. MSCPA supports SB 179 with an amendment to require the \$20 per day to be adjusted for inflation to its present value and to include the DOR rule in the bill's ongoing adjustments for inflation.


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Rule Title: COMPUTATION OF RESIDENTIAL PROPERTY TAX CREDIT FOR ELDERLY

Department: [REVENUE, DEPARTMENT OF](#)Chapter: [TAX CREDITS](#)Subchapter: [Individual - Residential Property Tax Credit for the Elderly](#)[Add to Favorites](#)

Latest version of the adopted rule presented in Administrative Rules of Montana (ARM):

[Printer Friendly Version](#)**42.4.302 COMPUTATION OF RESIDENTIAL PROPERTY TAX CREDIT FOR ELDERLY**

(1) When the taxpayer owns the dwelling but rents the land or owns the land and rents the dwelling, the taxpayer shall add the rent-equivalent tax paid on the rented property to the property tax billed on the owned property. The total shall then be reduced as provided by [15-30-176](#), MCA. The tax credit will be the reduced amount or \$1,000, whichever is less.

(2) When a taxpayer lives in a health care facility, long-term care facility, or a residential care facility as defined in [50-5-101](#), MCA, the rent allowed in calculation of the property tax credit is the actual out-of-pocket rent paid subject to (7).

(3) Where one spouse lives in a health care facility, long-term care facility, or a residential care facility as defined in [50-5-101](#), MCA, and the other lives at a different address, they are only allowed to take the rent at the facility or the rent/taxes billed for the other address, but not both. Married taxpayers who are living apart are entitled to file and receive only one claim per year.

(4) Property taxes billed on property held in a revocable trust are allowable as long as the grantor(s) of the property or their spouse is the eligible claimant and are trustees of the revocable trust.

(5) Property taxes billed are allowable as rent if the property occupied by an eligible claimant is in a name other than the claimant.

(6) Property taxes billed to an eligible claimant who has a living trust or a life estate are allowable.

(7) If a claimant does not provide an adequate breakdown between "rent" and "amenities" paid, the rent allowed will be limited to \$20 a day.

History: Sec. [15-30-305](#), MCA; [IMP](#), Sec. [15-30-176](#) and [50-5-101](#), MCA; [NEW](#), 1982 MAR p. 608, Eff. 3/26/82; [AMD](#), 1983 MAR p. 1265, Eff. 9/16/83; [AMD](#), 1993 MAR p. 571, Eff. 4/16/93; [AMD](#), 1995 MAR p. 2851, Eff. 12/22/95; [AMD](#), 1996 MAR p. 3148, Eff. 12/6/96; [AMD](#), 1998 MAR p. 183, Eff. 1/16/98; [AMD](#) and [TRANS](#), from ARM [42.15.506](#), 2004 MAR p. 1965, Eff. 8/20/04.

Effective rule versions existed in ARM on or after March 31, 2007

MAR Notices	Effective From	Effective To	History Notes
	8/20/2004	Current	History: Sec. 15-30-305 , MCA; IMP , Sec. 15-30-176 and 50-5-101 , MCA; NEW , 1982 MAR p. 608, Eff. 3/26/82; AMD , 1983 MAR p. 1265, Eff. 9/16/83; AMD , 1993 MAR p. 571, Eff. 4/16/93; AMD , 1995 MAR p. 2851, Eff. 12/22/95; AMD , 1996 MAR p. 3148, Eff. 12/6/96; AMD , 1998 MAR p. 183, Eff. 1/16/98; AMD and TRANS , from ARM 42.15.506 , 2004 MAR p. 1965, Eff. 8/20/04.

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